

SOUTHERN FIRST BANCSHARES INC
Form DEF 14A
April 12, 2016

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
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Southern First Bancshares, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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Date Filed:

SOUTHERN FIRST BANCSHARES, INC.
100 Verdae Boulevard, Suite 100
Greenville, South Carolina 29607

Notice of Annual Meeting of Shareholders

Dear Fellow Shareholder:

We cordially invite you to attend the 2016 Annual Meeting of Shareholders of Southern First Bancshares, Inc. (the Company), the holding company for Southern First Bank (the Bank). At the meeting, we will report on our performance in 2015 and answer your questions. We look forward to discussing both our accomplishments and our future plans with you. We hope that you can attend the meeting and look forward to seeing you there.

This letter serves as your official notice that we will hold the meeting on May 17, 2016 at the Bank's headquarters located at 100 Verdae Boulevard, Suite 100, Greenville, South Carolina at 5:00 p.m. Eastern Standard Time, for the following purposes:

1. To elect three members to the Board of Directors;
2. To approve the compensation of our named executive officers as disclosed in the accompanying proxy statement (this is a non-binding, advisory vote);
3. To approve the Southern First Bancshares, Inc. 2016 Equity Incentive Plan;
4. To ratify the appointment of Elliott Davis Decosimo, LLC as our independent registered public accountant for the year ending December 31, 2016; and
5. To transact any other business that may properly come before the meeting or any adjournment of the meeting.

Shareholders owning our common stock at the close of business on March 29, 2016 are entitled to attend and vote at the Annual Meeting. A complete list of these shareholders will be available at the company's offices prior to the meeting. If your shares are held in street name, you will need to obtain a proxy form from the institution that holds your shares in order to vote at our annual meeting.

Please use this opportunity to take part in the affairs of your company by voting on the business to come before this meeting. Even if you plan to attend the meeting, we encourage you to complete and return the enclosed proxy to us as promptly as possible.

By order of the Board of Directors,
R. Arthur Seaver, Jr.
Chief Executive Officer

Greenville, South Carolina
April 12, 2016

SOUTHERN FIRST BANCSHARES, INC.
100 Verdae Boulevard, Suite 100
Greenville, South Carolina 29607
Proxy Statement for Annual Meeting of
Shareholders to be Held on May 17, 2016

Our Board of Directors is soliciting proxies for the 2016 Annual Meeting of Shareholders. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. We encourage you to read it carefully.

VOTING INFORMATION

The Board of Directors set March 29, 2016 as the record date for the meeting. Shareholders owning our common stock at the close of business on that date are entitled to attend and vote at the meeting, with each share entitled to one vote. There were 6,343,988 shares of common stock outstanding on the record date.

Many of our shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. If you hold our shares in a stock brokerage account or by a bank or other nominee, you are considered the *beneficial owner* of shares held in street name, and these materials are being forwarded to you by your broker or nominee, which is considered the *shareholder of record* with respect to those shares. As the *beneficial owner*, you have the right to direct your broker or nominee to vote your shares as you decide and are also invited to attend the annual meeting. However, since you are not the *shareholder of record*, you may not vote these shares in person at the meeting unless you obtain a signed proxy from the *shareholder of record* giving you the right to vote the shares. Your broker or nominee has enclosed or provided a voting instruction card for you to use to direct your broker or nominee how to vote these shares.

A majority of the outstanding shares of common stock represented at the meeting will constitute a quorum. If a share is represented for any purpose at the meeting by the presence of the registered owner or a person holding a valid proxy for the registered owner, it is deemed to be present for the purposes of establishing a quorum. Therefore, valid proxies which are marked "Abstain" or "Withhold" or as to which no vote is marked, including proxies submitted by brokers who are the record owners of shares but who lack the power to vote such shares (so-called "broker non-votes"), will be included in determining the number of votes present or represented at the meeting. If a quorum is not present or represented at the meeting, the shareholders entitled to vote, present in person or represented by proxy, have the power to adjourn the meeting from time to time until a quorum is present or represented. If any such adjournment is for a period of less than 30 days, no notice, other than an announcement at the meeting, is required to be given of the adjournment. If the adjournment is for 30 days or more, notice of the adjourned meeting will be given in accordance with the Company's Bylaws. Directors, officers and regular employees of the Company may solicit proxies for the reconvened meeting in person or by mail, telephone or other means. At any such reconvened meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed. Once a quorum has been established, it will not be destroyed by the departure of shares prior to the adjournment of the meeting.

Provided a quorum is established at the annual meeting, directors will be elected by a majority of the votes cast at the meeting. Shareholders of the Company do not have cumulative voting rights. All other matters to be considered and acted upon at the meeting, including (i) the proposal to approve, as a non-binding advisory vote, the compensation of the Company's named executive officers, (ii) the proposal to approve the Southern First Bancshares, Inc. 2016 Equity Incentive Plan, and (iii) the proposal to ratify, as a non-binding advisory vote, the appointment of Elliott Davis Decosimo, LLC (Elliott Davis) as the independent registered public accountant for the Company for the year ending December 31, 2016, require that the number of shares of common stock voted in favor of the matter exceed the number of shares of common stock voted against the matter, provided a quorum has been established. Abstentions, broker non-votes and the failure to return a signed proxy will have no effect on the outcome of such matters.

Stockbrokers are generally permitted by their regulatory authorities to vote shares held by them for their customers on matters considered by the regulatory authorities to be routine, even if the stockbrokers have not received voting instructions from their customers. If the regulatory authorities do not consider a matter routine, then a stockbroker is generally prohibited from voting a customer's shares on the matter unless the customer has given voting instructions on that matter to the stockbroker. **Because Proposal No. 1 to elect directors, Proposal No. 2 to approve, as a non-binding advisory vote, the compensation of the Company's named executive officers, and Proposal No. 3 to approve the Southern First Bancshares, Inc. 2016 Equity Incentive Plan are not considered to be routine matters, it is important that you provide instructions to your bank or broker if your shares are held in street name so that your vote with respect to these matters is counted. Stockbrokers and banks holding shares for their customers will not have the ability to cast votes with respect to these matters unless they have received instructions from their customers. Your stockbroker or bank will not vote on these non-routine matters if you do not give voting instructions with respect to these matters.**

When you sign the proxy card, you appoint R. Arthur Seaver, Jr. and Fred Gilmer, Jr. as your representatives at the meeting. Mr. Seaver and Mr. Gilmer will vote your proxy as you have instructed them on the proxy card. If you submit a proxy but do not specify how you would like it to be voted, Mr. Seaver and Mr. Gilmer will vote your proxy FOR the election to the board of directors of all nominees listed below under Election of Directors, FOR the non-binding advisory resolution to approve the compensation of our named executive officers as disclosed in this proxy statement, FOR the Southern First Bancshares, Inc. 2016 Equity Incentive Plan, and FOR the ratification of our independent registered public accountant. In addition, if any other matters come before the meeting, Mr. Seaver and Mr. Gilmer will vote your proxy on such matters in accordance with their judgment.

You may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by signing and delivering another proxy with a later date or by voting in person at the meeting.

We are paying for the costs of preparing and mailing the proxy materials and reimbursing brokers and others for their expenses in forwarding copies of the proxy materials to our shareholders. Our officers and employees may assist in soliciting proxies but will not receive additional compensation for doing so. We are distributing this proxy statement on or about April 12, 2016.

Important Notice of Internet Availability. This proxy statement and the Annual Report on Form 10-K for the year ended December 31, 2015 (our 2015 Form 10-K) are available to the public for viewing on the Internet at <http://www.edocumentview.com/sfst>. Directions to the Annual Meeting can be obtained by contacting Mrs. Ellen Kish at 864.679.9000.

In addition, the above items and other filings made by the Company with the Securities and Exchange Commission (the SEC) are also available to the public on the SEC s website on the Internet at www.sec.gov.

Only one copy of our proxy materials is being delivered to two or more shareholders who share an address. However, upon request by any shareholder, we will deliver one or more additional copies of this proxy statement and our 2015 Annual Report on Form 10-K to shareholders at a shared address to which a single copy of the documents was delivered. Accordingly, shareholders should contact us at 864.679.9000 if they wish to receive any additional copies of our proxy materials.

**PROPOSAL NO. 1:
ELECTION OF DIRECTORS**

The Board of Directors is divided into three classes with staggered terms, so that the terms of only approximately one-third of the board members expire at each annual meeting. Our current directors and their classes are:

Class I	Class II	Class III
Mark A. Cothran	Leighton M. Cabbage	Andrew B. Cajka
Rudolph G. Johnstone, III, M.D.	David G. Ellison	Anne S. Ellefson
R. Arthur Seaver, Jr.	James B. Orders, III	Fred Gilmer, Jr.
	William B. Sturgis	Tecumseh Hooper, Jr.

On March 15, 2016, William B. Sturgis, 81, a current Class II director whose term expires at the annual meeting, notified the Company that he will retire from the Boards of Directors of the Company and the Bank effective upon expiration of his current term. Mr. Sturgis' decision to retire from the Board of Directors was voluntary and did not arise or result from any disagreement with the Company on any matters relating to the Company's operations, policies, or practices. Mr. Sturgis has been a director since the formation of the Company in 1999. The Company is appreciative for Mr. Sturgis' years of dedicated service to the Company and Bank. As a result of Mr. Sturgis' retirement, the Board of Directors will be reduced to ten directors following the annual meeting. The Company does not anticipate immediately filling the vacancy on the board caused by Mr. Sturgis' retirement.

The current term of the Class II directors will expire at this annual meeting of shareholders, the term of the Class III directors will expire at the 2017 annual meeting, and the term of the Class I directors will expire at the 2018 annual meeting. Shareholders will elect three nominees as Class II directors at the Annual Meeting to serve a three-year term, expiring at the 2019 Annual Meeting of Shareholders. The directors will be elected by a plurality of the votes cast at the meeting. This means that the three nominees receiving the highest number of votes will be elected. Shareholders do not have cumulative voting rights with respect to the election of directors.

If you submit a proxy but do not specify how you would like it to be voted, Mr. Seaver and Mr. Gilmer will vote your proxy to elect Messrs. Cabbage, Ellison, and Orders as Class II directors. If any of these nominees are unable or fail to accept nomination or election (which we do not anticipate), Mr. Seaver and Mr. Gilmer will vote instead for a replacement to be recommended by the board of directors, unless you specifically instruct otherwise in the proxy.

The Board of Directors unanimously recommends that you vote FOR the election of Leighton M. Cabbage, David G. Ellison and James B. Orders, III as Class II directors.

Set forth below is certain information about the Class II nominees, each of whom is also a director of the Bank and has been a director of the Company since early in its formation.

Leighton M. Cabbage, 63, Class II director, is the co-founder and chairman of Serrus Capital Partners, a real estate investment company. Previously, he was the co-founder, president, and chief operating officer of Corporate Telemanagement Group in Greenville, South Carolina from 1989 until 1995. Since 1995, Mr. Cabbage has been a private investor maintaining investment interests in a weekly newspaper and car dealerships. He is a 1977 graduate of Clemson University with a bachelor's degree in political science. Mr. Cabbage previously served as chairman of the Greenville Hospital System board of trustees, was a former member of the Greenville Technical College Foundation Board and has served on the board of directors of the Greenville Chamber of Commerce, Clemson Spiro College of Entrepreneurship and Homes of Hope. Mr. Cabbage was chosen by the South Carolina Governor as Chairman of the South Carolina Venture Capital Authority and was inducted into the Clemson University Spiro Entrepreneurial Institute Hall of Fame in 2011. In 1993 he graduated from the University of North Carolina at Chapel Hill's Advanced Management Program. His leadership experience, extensive knowledge of the technology industry and corporate management enhance his ability to contribute to the company as a director.

David G. Ellison, 66, Class II director, is a Wealth Management Advisor with Northwestern Mutual, where he retired as managing director in 2010, after 28 years of service. Mr. Ellison is a 1972 graduate of Furman University where he received a bachelor's degree and a 1976 graduate of the Clemson-Furman University Program where he received a master in business administration. Mr. Ellison served three terms on the board of trustees of Furman University, where he is a former board chair. He is a past president of both the Furman Alumni Association and Furman Paladin Club. He has also served on the board of trustees for United Way of Greenville County. He is a prior commissioner of the Greenville Housing Authority. He has extensive financial experience primarily in the insurance industry and has corporate governance experience with a number of nonprofit organizations which provide a valuable perspective as a director.

James B. Orders, III, 63, Class II director, is the chairman of our board of directors. Since 1986, he has been the president of Park Place Corporation, a company engaged in the manufacture and sale of mattresses to the wholesale market. Mr. Orders is a director of Orders Realty Co., Inc., a real estate development and management company that is a wholly-owned subsidiary of Park Place Corporation. He attended Clemson University from 1970 until 1974. Mr. Orders is a past president of the International Sleep Products Association, a past president of the Downtown Rotary Club, a past member of the advisory board of Greenville National Bank and a past member of the advisory board of Carolina First Bank. He currently serves on the board of Cox Industries. He has executive management experience in national sales markets in addition to experience in the South Carolina real estate market. His leadership abilities and long connection to the local community enhance his ability to serve on the board of directors.

Set forth below is information about our company's and bank's other directors each of whom has been a director of our company since our formation in 1999 and is also a director of our bank.

Andrew B. Cajka, 56, Class III director, has served as a director of the Company since 1999. Mr. Cajka is the founder and president of Southern Hospitality Group, LLC, a hotel management and development company in Greenville, South Carolina. Prior to starting his own business, Mr. Cajka was a managing member of Hyatt Hotels Corporation from 1986 until 1998. He is a 1982 graduate of Bowling Green State University. He serves as a board member for the Metropolitan Arts Council, and as treasurer of the Visit Greenville SC Convention and Visitors Bureau. He is a past chairman of the Greenville County Research and Technology Development board, past chairman of the Greenville Convention and Visitors Bureau, past chairman of the Greenville Tech Hospitality Board, and as past vice chairman of the board for St. Joseph's High School. He is a previous member of the BMW Nationwide Tournament advisory board. Mr. Cajka has served as a board member of the Urban League, Upstate Red Cross, and Thornblade Board of Governors. Mr. Cajka served on the board of directors for the Greenville Chamber of Commerce and is past president of the downtown area council, as well as past chairman of Greenville Hospital Foundation Board and past chairman of the Children's Hospital. He has substantial development and management experience in the hospitality industry and is extensively involved in the local community, both of which enhance his ability to serve as a director.

Mark A. Cothran, 58, Class I director, is the president and owner of Cothran Properties, LLC, a real estate development company in Greenville, South Carolina. He has been with Cothran Properties, LLC since 1986. Mr. Cothran received his bachelor's degree in finance and banking from the University of South Carolina in 1980 and is a licensed real estate broker in the State of South Carolina. He currently serves on the Tax and Legislative Committee and the National Business Park Forum of the National Association of Industrial and Office Properties (NAIOP) for which he is also the past chairman. He is also the past president of the state chapter of NAIOP. He has served on the board of directors of the Greenville Chamber of Commerce, the Chamber of Commerce's Economic Development Board, and on the Advisory Board of Greenville National Bank. He currently serves on the board of directors of General Wholesale Distributors, Inc. His extensive experience in real estate and development activities, along with his long term ties to our local community, provide him with a valuable understanding of the key markets we serve.

Anne S. Ellefson, 61, Class III director, has served as a director of the Company since 2001. Mrs. Ellefson is an attorney and serves as Deputy General Counsel for Academics and Community Affairs at Greenville Health System. She was formerly a shareholder with Haynsworth Sinkler Boyd, P.A., where she practiced law from 1979 through 2013. Mrs. Ellefson is a 1976 graduate of the University of South Carolina where she received a bachelor's degree and a 1979 graduate of the University of South Carolina School of Law. Mrs. Ellefson previously served on advisory boards at both United Carolina Bank and BB&T. She is a past chairman of the Greater Greenville Chamber of Commerce and the United Way of Greenville County and formerly served on the Board of Directors of the South Carolina Chamber of Commerce. She currently serves as President and as a member of the Board of Governors of the South Carolina Bar Association, as President of the Board of Directors of the South Carolina Educational Television Endowment, and Vice President of South Carolina Technology & Aviation Center (SCTAC) and its 501(c)3 affiliate, ITIC. In addition, she serves on the boards of the Greenville Local Development Corporation, the Hollingsworth Fund and Verdae Development, Inc. She is also the past President of the South Carolina Bar Foundation. Her extensive legal experience, with a specialization in real estate, and significant leadership activities in local and state chamber and other development organizations give her useful insights and a valuable understanding of the key markets we serve.

Frederick Fred Gilmer, Jr., 80, Class III director, has served as a director of the Company since 1999. Mr. Gilmer is a retired senior vice president of our Bank. He is a seasoned banker with over 50 years of experience in the financial services industry. Mr. Gilmer was involved with the organization of Southern Bank and Trust Company, as well as Greenville First Bank, and has held executive positions with two other banks in the Greenville area. He graduated from the University of Georgia in 1958 and the LSU Graduate School of Banking of the South in Baton Rouge, Louisiana in 1970. He is a graduate of Leadership Greenville and has served numerous organizations, including the Greenville Rotary Club, the YMCA, the United Way, and the First Presbyterian Church. He also is a past board member of Family Children Service, Goodwill Industries, Downtown Area Council, Greenville Little Theater, Greenville Cancer Society, South Carolina Arthritis Foundation, Freedom Weekend Aloft, and the Greenville Chamber of Commerce. He brings to the board an intimate understanding of our business and organization, as well as substantial leadership abilities, banking industry expertise, and management experience.

Tecumseh Tee Hooper, Jr., 68, Class III director, has served as a director of the Company since 1999. Mr. Hooper, Jr. is a private investor and chief executive officer of Sign Crafters, USA, LLC, a sign manufacturer and service company in the state of South Carolina. Mr. Hooper is also chairman of the board of FGP International Inc., an executive search and temporary placement service company. Mr. Hooper was the president of Modern Office Machines/IKON Office Solutions in Greenville, South Carolina, from 1982 through 2001. Mr. Hooper graduated from The Citadel in 1969 with a degree in business administration, and he received a master in business administration from the University of South Carolina in 1971. Mr. Hooper has served the community as a board member of the Greenville Chamber of Commerce, Camp Greenville, YMCA Metropolitan, and the United Way, and as past president of the Greenville Urban League. Mr. Hooper has also served on the board of directors for Leadership Greenville, Leadership South Carolina, and also served as chairman of the South Carolina Department of Transportation, and of the Patriots Point Development Authority in Charleston. He is currently a member of The Citadel Board of Visitors. His deep ties to the local community, varied business career in executive management, including serving on the board of a publicly traded company, and experience with key government agencies provide him with a valuable perspective as a director.

Rudolph G. Trip Johnstone, III, M.D., 55, Class I director, is a physician who has practiced with Allergy Partners of the Upstate since 1992. He graduated from Washington & Lee University in 1982 with a degree in biology and from the Medical University of South Carolina in 1986. Dr. Johnstone served on the consulting board to Greenville National Bank from 1995 until 1998. He is on the board of directors of Allergy Partners, PA and is a past president of the Southeastern Asthma, Allergy, and Immunology Society. He has an extensive knowledge of and a connection to the medical community, a targeted market for the bank, which enhances his ability to contribute to the company as a director.

R. Arthur Art Seaver, Jr., 52, Class I director, has served as the Chief Executive Officer of our Company and our Bank since 1999. He has over 29 years of banking experience. From 1986 until 1992, Mr. Seaver held various positions with The Citizens & Southern National Bank of South Carolina. From 1992 until February 1999, he was with Greenville National Bank, which was acquired by Regions Bank in 1998. He was the senior vice president in lending and was also responsible for managing Greenville National Bank's deposit strategies prior to leaving to form Greenville First Bank. Mr. Seaver is a 1986 graduate of Clemson University with a bachelor's degree in financial management and a 1999 graduate of the BAI Graduate School of Community Bank Management. He is a member of the board of the St. Francis Foundation, member and past chairman of the Executive Committee for the South Carolina Bankers Association, and current chair of the United Way of Greenville County Board of Trustees. Past organizations that he has worked with include the United Way of Greenville County, Leadership Greenville, the Greenville Chamber of Commerce, the South Carolina Network of Business and Education Partnership, Junior League, Junior Achievement, the Greenville Convention and Visitors Bureau, the United Way, and the First Presbyterian Church. His experience with various local and nonprofit organizations provides him with a valuable understanding of our community.

Other than R. Arthur Seaver, Jr., Chief Executive Officer of our company and our bank, whose information appears above in the list of directors, information regarding each of our executive officers is listed below.

Michael D. Dowling, 44, has served as an executive vice president and the chief financial officer of our company and our bank since 2011. He has over 20 years of experience in the banking industry. Mr. Dowling was previously employed with KPMG LLP from 1994 until 2011, including most recently as an Audit Partner (2005-2011) and a member of KPMG's Financial Services practice. Mr. Dowling has extensive experience working with public companies and financial institutions. He is a 1993 graduate of Clemson University, with a degree in Accounting and is a certified public accountant in South Carolina and North Carolina.

F. Justin Strickland, 52, has served as president of our company and our bank since 2006. He has over 30 years of banking experience. From 1985 until 1993, Mr. Strickland held various positions with The Citizens & Southern National Bank of South Carolina. From 1993 until November 2006, he was with Carolina First Bank. From 1999 until November 2006, he held the position of South Carolina Midlands Market President. Mr. Strickland is a 1985 graduate of the University of South Carolina with a bachelor's degree in finance and the LSU Graduate School of Banking of the South in Baton Rouge, Louisiana in 1996. He is the past Chairman of the Greater Columbia Chamber of Commerce, the Children's Trust Fund of South Carolina, Junior Achievement of the Midlands, and the SC Bankers Association. He is a past member of the boards of the Saluda Shoals Foundation, Columbia Urban League, Palmetto Health Foundation (past chairman), the SC Bankers School (past chairman), and the Boy Scouts' Indiana Water Council. He was a prior Chairman of the SC Bankers Association/Young Bankers Division where he received the SC Outstanding Young Bankers Award in 1999. Currently, Mr. Strickland is the chairman of The Lexington Medical Foundation and is a board member of The South Carolina Board of Financial Institutions. He is a member of Saxe Gotha Presbyterian Church. He has been a member in the past with the Rotary Club, Sertoma Club, Business Association of Columbia, Salvation Army, and the United Way.

Family Relationships. Dr. Rudolph G. Johnstone, III, director, is Fred Gilmer, Jr.'s stepson and Fred Gilmer, III, executive vice president, is Fred Gilmer Jr.'s son. No other director has a family relationship with any other director or executive officer of the company.

**PROPOSAL NO. 2:
NON-BINDING RESOLUTION TO APPROVE THE COMPENSATION
OF THE NAMED EXECUTIVE OFFICERS**

We are asking you to approve the compensation of the Company's named executive officers as described under "Compensation of Directors and Executive Officers" and the tabular disclosure regarding named executive officer compensation (together with the accompanying narrative disclosure).

The Company seeks to align the interests of our named executive officers with the interests of our shareholders. Therefore, our compensation programs are designed to reward our named executive officers for the achievement of strategic and operational goals and the achievement of increased shareholder value, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking. We believe that our compensation policies and procedures are competitive and focused on performance and are strongly aligned with the long-term interest of our shareholders.

The proposal described below, commonly known as a "Say-on-Pay" proposal, gives you as a shareholder the opportunity to express your views regarding the compensation of the named executive officers by voting to approve or not approve such compensation as described in this proxy statement. This vote is advisory and will not be binding upon the Company, the board of directors, or the compensation committee. However, the Company, the board, and the compensation committee will take into account the outcome of the vote when considering future executive compensation arrangements. The vote on this resolution is not intended to address any specific element of compensation, but rather relates to the overall compensation of our named executive officers, as described in this proxy statement in accordance with the compensation disclosure rules of the SEC.

The board of directors believes our compensation policies and procedures achieve this objective, and therefore recommend shareholders vote **FOR** the proposal through the following resolution:

Resolved, that the compensation of executive officers named in the Summary Compensation Table of Southern First Bancshares, Inc.'s Proxy Statement for the 2016 Annual Meeting of Shareholders, including the tabular and narrative compensation disclosures, is hereby approved.

The board of directors unanimously recommends a vote FOR approval of the compensation of the named executive officers as disclosed in this proxy statement.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

Attendance at Board, Committee and Annual Shareholders Meetings

During the year ended December 31, 2015, the board of directors of the company held 12 meetings and the board of directors of the bank held 12 meetings. All of the directors of the company and the bank attended at least 75% of the aggregate of such board meetings and the meetings of each committee on which they served.

Although we do not have a formal policy regarding attendance by members of the board of directors at our annual shareholders meetings, directors are encouraged to attend our annual shareholders meeting. All of the directors were present at the 2015 Annual Meeting of Shareholders.

Code of Ethics

We expect all of our employees to conduct themselves honestly and ethically, particularly in handling actual and apparent conflicts of interest and providing full, accurate, and timely disclosure to the public.

We have adopted a Code of Ethics that is specifically applicable to our senior management and financial officers, including our principal executive officer, our principal financial officer, and controller. A copy of this Code of Ethics is available without charge to shareholders upon request to the secretary of the company, at Southern First Bancshares, Inc., 100 Verdae Boulevard, Suite 100, Greenville, South Carolina 29607.

Board Leadership Structure and Role in Risk Oversight

We are focused on the company's corporate governance practices and value independent board oversight as an essential component of strong corporate performance to enhance shareholder value. Our commitment to independent oversight is demonstrated by the fact that a majority of our directors are independent. In addition, all of the members of our board of directors audit, personnel, and nominating and corporate governance committees are independent.

Our board of directors believes that it is preferable for one of our independent directors to serve as chairman of the board. The person our board of directors elected as chairman, James B. Orders, III, has been one of our directors since 1999 and is a long-time resident of our primary market area. We believe it is the chairman's responsibility to guide the board as it provides leadership to our executive management and the chief executive officer's responsibility to manage the company. As directors continue to be faced with more oversight responsibility than ever before, we believe it is beneficial to have separate individuals in the role of chairman and chief executive officer. Traditionally, the company has maintained the separateness of the roles of the chairman and the chief executive officer. In making its decision to have an independent chairman, the board of directors considered the time and attention that Mr. Seaver is required to devote to managing the day-to-day operations of the Company. By having another director serve as chairman of the board of directors, Mr. Seaver will be able to focus his entire energy on running the company. This will also ensure there is no duplication of effort between the chairman and the chief executive officer. We believe this board leadership structure is appropriate in maximizing the effectiveness of board oversight and in providing perspective to our business that is independent from executive management.

Our audit committee is primarily responsible for overseeing the company's risk management processes on behalf of the full board of directors. The audit committee focuses on financial reporting risk and oversight of the internal audit process. It receives reports from management at least quarterly regarding the company's assessment of risks and the adequacy and effectiveness of internal control systems, as well as reviewing credit and market risk (including liquidity and interest rate risk), and operational risk (including compliance and legal risk). Strategic and reputation risk are also regularly considered by this committee. The audit committee also receives reports from management addressing the most serious risks affecting the day-to-day operations of the company. The audit committee reports regularly to the full board of directors, which also considers the company's entire risk profile. The full board of directors focuses on certain significant risks facing the company and on certain aspects of the company's general risk management strategy. Management is responsible for the day-to-day risk management processes. We believe this division of responsibility is the most effective approach for addressing the risks facing our company and that our board leadership structure supports this approach.

We recognize that different board leadership structures may be appropriate for companies in different situations. We will continue to reexamine our corporate governance policies and leadership structures on an ongoing basis to ensure that they continue to meet the company's needs.

Independence

Our board of directors has determined that Andrew B. Cajka, Jr., Mark A. Cothran, Leighton M. Cabbage, Anne S. Ellefson, David G. Ellison, Tecumseh Hooper, Jr., James B. Orders, III and William B. Sturgis are independent directors, based upon the independence criteria set forth in the corporate governance listing standards of The NASDAQ Global Market, as required by Item 407(a) of Regulation S-K.

Committees of the Board of Directors

The following chart shows the current composition of the committees of our board of directors, the number of meetings held by each committee during 2015, and which directors are independent based upon the independence criteria set forth in the corporate governance listing standards of The NASDAQ Global Market. The audit committee, nominating & corporate governance committee, personnel committee and board risk committee are comprised exclusively of independent directors.

Director	Board Independent	Audit (5 Meetings) Chair	Nominating & Corporate Governance (1 Meeting) Chair	Personnel (2 Meetings)	Finance (12 Meetings) Chair
Andrew B. Cajka, Jr.					
Mark A. Cothran					
Leighton M. Cabbage					
Anne S. Ellefson					
David G. Ellison					
Fred Gilmer, Jr.					
Tecumseh Hooper, Jr.					
Rudolph G. Johnstone, III					
James B. Orders, III	Chair				
R. Arthur Seaver, Jr.					
William B. Sturgis				Chair	

Audit Committee

The audit committee is comprised of five independent directors, Messrs. Cajka, Cabbage, Hooper and Sturgis and Mrs. Ellefson. The audit committee, which met six times in 2015, has the responsibility of reviewing the company's financial statements, evaluating internal accounting controls, reviewing reports of regulatory authorities and determining that all audits and examinations required by law are performed. The committee recommends to the board of directors the appointment of the independent auditors for the next fiscal year, reviews and approves the auditor's audit plans and reviews with the independent auditors the results of the audit and management's responses. The audit committee is responsible for overseeing the entire audit function and appraising the effectiveness of internal and external audit efforts. The audit committee operates under a written charter, which is available on our website, www.southernfirst.com.

Nominating Committee

Our nominating committee is currently comprised of four independent directors, Messrs. Cajka, Cothran and Hooper and Mrs. Ellefson. The nominating committee recommends nominees for election to our board of directors at our annual meetings. The board of directors, including a majority of the independent directors, selects the nominees for election to the board of directors. Our nominating committee charter is available on our website, www.southernfirst.com. The nominating committee met one time in 2015. Directors recommended for re-election at each Annual Meeting of Shareholders are selected by our nominating committee. For directors previously elected by shareholders to serve on the board of directors and whose terms of service are expiring, the nominating committee considers whether to recommend to the board of directors the nomination of those directors for re-election for another term of service. The nominating committee also considers whether to recommend to the board of directors the nomination of persons to serve as directors whose nominations have been recommended by shareholders.

Any shareholder may recommend the nomination of any person to serve on the board of directors. Our policy is to require a shareholder to submit the name of the person to our corporate secretary in writing no later than (i) with respect to an election to be held at an annual meeting of shareholders, 90 days in advance of such meeting; and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, no more than seven days after notice of the special meeting is given to shareholders. Each notice must set forth: (i) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the shareholder is a holder of record of stock of the company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (iv) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC, had the nominee been nominated, or intended to be nominated, by the board of directors; and (v) the consent of each nominee to serve as a director of the company if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

The nominating committee has not adopted a formal policy with regard to the consideration of diversity in identifying director nominees. In determining whether to recommend a director nominee, the nominating committee members consider and discuss diversity, among other factors, with a view toward the needs of the board of directors as a whole. The nominating committee members generally conceptualize diversity expansively to include, without limitation, concepts such as race, gender, national origin, differences of viewpoint, professional experience, education, skill and other qualities or attributes that contribute to board heterogeneity, when identifying and recommending director nominees. The nominating committee believes that the inclusion of diversity as one of many factors considered in selecting director nominees is consistent with the committee's goal of creating a board of directors that best serves the needs of the company and the interest of its shareholders.

The nominating committee has performed a review of the experiences, qualifications, attributes and skills of the board's current membership, including the director nominees for election to the board of directors and the other members of the board, and believes that the current members of the board, including the director nominees, as a whole possess a variety of complementary skills and characteristics, including the following:

- successful business or professional experience;
- various areas of expertise or experience which are desirable to the company's current business, such as financial, general management practices, planning, legal, marketing, technology, banking and financial services;
- personal characteristics such as character, integrity and accountability, as well as sound business judgment and personal reputation;
- residence in the bank's service area;
- willingness and ability to commit the necessary time to fully discharge the responsibilities of board membership to the affairs of the company;
- leadership and consensus building skills; and
- a commitment to the success of the company.

We do not pay a third party to assist in identifying and evaluating director candidates.

Personnel Committee

Our personnel committee, which we may also refer to as the compensation committee, is comprised of five independent directors, Messrs. Cothran, Cabbage, Ellison, Orders and Sturgis. The committee met two times during 2015.

The personnel committee may form and delegate authority to subcommittees as it deems appropriate, though it has not formed or delegated authority to any such subcommittee to date. The personnel committee is responsible for annually reviewing the performance of the chief executive officer and president and reviews all compensation and awards to executive and senior officers, including the chief executive officer, president, eight executive vice presidents, and 23 other key members of management. In addition, the personnel committee may engage compensation advisors to assist it in determining compensation levels. The personnel committee has the exclusive authority and responsibility to determine all aspects of executive compensation, and seeks input and recommendations from the chief executive officer for the executive and senior officers. With respect to equity compensation awards to non-executive officers, the personnel committee has delegated restricted stock and option granting authority to the chief executive officer and president. As a part of its duties, the personnel committee must certify that it has reviewed senior executive officers compensation arrangements with a view toward ensuring that they do not create incentives to take unnecessary or excessive risks that threaten the value of the company.

We have adopted a formal personnel committee charter which is available on our website at www.southernfirst.com.

AUDIT COMMITTEE MATTERS

Our audit committee is comprised of five independent directors and operates under a written charter, which is available on our website at www.southernfirst.com. The board of directors has determined that Messrs. Cajka, Cabbage, Hooper, and Sturgis and Mrs. Ellefson, are independent, under Rule 4350 of the corporate governance listing standards of The NASDAQ Global Market. None of the current members of the audit committee nor any other member of our board qualifies as an audit committee financial expert as defined under the rules of the SEC. As a relatively small public company, it is difficult to identify qualified candidates who meet all of the qualification of an audit committee financial expert and are willing to serve on our board of directors. At the present, we do not know if or when we will appoint a new board member that qualifies as an audit committee financial expert.

Although none of the members of our audit committee qualify as audit committee financial experts as defined in the SEC rules, each of our audit committee members has made valuable contributions to the company and its shareholders as members of the audit committee. The board of directors has determined that each member is fully qualified to monitor the performance of management, the public disclosures by the company of its financial condition and performance, our internal accounting operations, and our independent auditors.

Report of the Audit Committee of the Board

The information contained in this report shall not be subject to the liabilities of Section 18 of the Securities exchange Act of 1934, and shall not be deemed to be incorporated by reference in future filings with the SEC except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The audit committee has reviewed and discussed with management the audited financial statements. The audit committee has discussed with the independent auditors the matters required to be discussed by Auditing Standard No. 16 (AS 16) (Communications with Audit Committees), as adopted by the Public Company Accounting Oversight Board. The audit committee has received from the independent auditors the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with them their independence from the company and its management. In reliance on the reviews and discussions referred to above, the audit committee recommended to the company s board of directors that the audited financial statements be included in the company s Annual Report and referenced on SEC Form 10-K for the fiscal year ended December 31, 2015.

The report of the audit committee is included herein at the direction of its members Mr. Cajka, Mr. Cabbage, Mr. Hooper, Mrs. Ellefson, and Mr. Sturgis.

Audit and Related Fees

Elliott Davis was our auditor during the year ended December 31, 2015. A representative of Elliott Davis will be present at the annual meeting and will be available to respond to appropriate questions and will have the opportunity to make a statement if he or she desires to do so. The following table shows the fees that we paid for services performed in fiscal years ended December 31, 2015 and 2014:

	Year Ended December	
	2015	2014
Audit Fees	\$ 171,900	107,480
Tax Fees	12,600	11,670
Other Fees	23,420	61,210
Total	\$ 207,920	180,360

Audit Fees. This category includes the aggregate fees billed or to be billed for each of the last two fiscal years for professional services rendered by Elliott Davis for the audit of our annual consolidated financial statements and employee benefit plan and our quarterly reports on Form 10-Q.

Tax Fees. This category includes the aggregate fees billed or to be billed for tax services rendered in the preparation of state and federal tax returns for the company and the Bank.

Other Fees. This category includes the aggregate fees billed for non-audit services, exclusive of the fees disclosed relating to audit fees. During the year ended December 31, 2015, these fees were primarily for procedures related to audit requirements by the Department of Housing and Urban Development (HUD) related to the Bank s involvement in the FHA lending program. During the year ended December 31, 2014 these fees were primarily related to the Company s various SEC filings regarding preferred and common stock transactions.

Oversight of Accountants; Approval of Accounting Fees. Under the provisions of its charter, the audit committee is responsible for the appointment, compensation, retention and oversight of the work of the independent auditor. All of the accounting services and fees reflected in the table above were reviewed and approved by the audit committee, and none of the services were performed by individuals who were not employees of the independent auditor. In addition, the board of directors approves an annual budget for professional audit fees that includes all fees paid to the independent auditors.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Summary of Cash and Certain Other Compensation

The following table shows the compensation we paid to our three most highly compensated named executive officers, including our chief executive officer, for the years ended December 31, 2015 and 2014.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus ⁽¹⁾	Stock Awards ⁽²⁾	Option Awards ⁽²⁾⁽³⁾	Non-Equity Incentive Plan Compensation ⁽¹⁾	Nonqualified Deferred Compensation ⁽¹⁾	Change in Pension Value and All Other Compensation ⁽⁴⁾	Total
R. Arthur Seaver, Jr. <i>Chief Executive Officer</i>	2015	\$ 440,000	\$ 90,000	\$ -	\$ 88,900	\$ -	\$ 167,963	\$ 45,215	\$ 832,078
	2014	430,000	80,000	-	71,300	-	38,553	50,162	670,015
F. Justin Strickland <i>President</i>	2015	275,000	130,000	-	88,900	-	127,389	39,269	660,558
	2014	265,000	120,000	-	71,300	-	42,093	42,664	541,057
Michael D. Dowling <i>Chief Financial Officer</i>	2015	225,000	-	-	88,900	95,000	39,478	40,694	489,072
	2014	210,000	-	-	71,300	85,000	25,559	40,727	432,586

- (1) Amounts awarded for each year under one or more of the Company's cash incentive plans and related bonuses were paid in the subsequent fiscal year. Bonus compensation for Messrs. Seaver and Strickland is determined by the personnel committee of the Board.
- (2) The value for each of these awards is its grant date fair value calculated by multiplying the number of shares subject to the award by the market price per share on the date such award was granted, computed in accordance with Financial Accounting Standards